

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 1118
 Economic Matters

(Delegate Clagett, *et al.*)

Finance

Economic Development - Office of the Business Ombudsman - Establishment

This bill establishes an Office of the Business Ombudsman in the Governor’s Office. The office must submit an annual report to the standing committees of the General Assembly having jurisdiction over economic development matters. The Governor must include funds in the State budget to implement the bill beginning in fiscal 2016.

Fiscal Summary

State Effect: General fund expenditures increase by \$124,700 in FY 2015 for the Governor’s office to hire one ombudsman and one administrative assistant to perform the functions of the office established under the bill, which assumes immediate implementation. Future year expenditures reflect annualization, the elimination of one-time costs, and required implementation. **This bill establishes a mandated appropriation beginning in FY 2016.**

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	124,700	160,200	167,700	175,500	183,700
Net Effect	(\$124,700)	(\$160,200)	(\$167,700)	(\$175,500)	(\$183,700)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful. Small businesses may request and receive assistance from the office established under the bill.

Analysis

Bill Summary: The purpose of the office is to (1) resolve problems encountered by businesses interacting with State agencies; (2) facilitate responsiveness of State government and business needs; (3) serve as a central clearinghouse of information for business services or assistance requested; (4) assist businesses by referring businesses and individuals to resources that provide the business services or assistance requested; (5) provide comprehensive permit information and assistance; (6) establish and maintain metrics in order to monitor the progress of the office and report the data to the Governor and General Assembly; and (7) report and make recommendations to the Governor and General Assembly regarding breakdowns in the delivery of economic development resources and programs, including problems encountered by businesses interacting with State agencies.

The office must:

- establish, maintain, and update each year a list of the business assistance programs and services in the State, including specified identifying information of the entities providing the programs and services;
- implement a business fairness and responsiveness service that (1) resolves problems encountered by businesses with other State agencies and regional and local economic development organizations; (2) coordinates programs and services implemented by federal, State, and local agencies; (3) facilitates responsiveness of State government to business needs; and (4) reports to the Governor and the General Assembly regarding any breakdowns in the delivery of economic development resources and programs;
- develop and maintain a program to provide comprehensive information to the public regarding permits required for business initiatives, projects, and activities; and
- establish and implement procedures to assist permit applicants who have encountered difficulties in obtaining timely and efficient permit review.

The office must report annually to the Governor and the General Assembly. The report must contain (1) information regarding the performance of the office, including data indicating the effectiveness of programs and procedures regarding permitting; (2) data specifying the number of businesses and individuals that have contacted the office or used the services of the office; and (3) recommendations regarding improvements to existing laws relating to economic development.

Current Law/Background: There is no business ombudsman in the State. There is a Long-Term Care Ombudsman Program located within the Maryland Department of Aging. The program receives and resolves complaints made by or for residents of long-term care facilities, which includes nursing homes and assisted living facilities. The program consists of one State ombudsman and additional staff that work in local area agencies on aging that cover Maryland's 23 counties and Baltimore City. The office is significantly larger and broader in scope than that established by the bill.

Department of Business and Economic Development

The Department of Business and Economic Development's (DBED) administers several primary business assistance programs, such as the Maryland Economic Development Assistance Authority and Fund and the Maryland Small Business Financing Authority. As part of an effort to make it easier for businesses to interact with State government, DBED initiated the Central Business Licensing System. The system was intended to consolidate information from more than 400 State programs that issue permits, licenses, registrations, certifications, or other types of State approval to conduct business; however, the scale of the project has been significantly reduced as DBED has encountered various technical and logistical difficulties with the system.

In January 2013, the system began accepting applications to register a business and form the legal business entity, register a trade name, and establish tax accounts. Although DBED is publicizing the new system and working with the relevant State agencies, the percentage of registrations that could use the system is relatively low. Only 13% of new company registrations, trade names, or tax accounts have come through the system.

Other State Ombudsman Offices

Several other states have business or permitting ombudsman offices or similar entities, including Indiana, Connecticut, Kentucky, Louisiana, Maine, North Carolina, and Rhode Island, among others. One of the most similar programs is in Connecticut, where the Connecticut Department of Economic and Community Development maintains an Office of the Permit Ombudsman. The office assists eligible applicants in obtaining timely and efficient permit reviews and the resolution of issues arising from permit review. The office indicates that it is also continuing ongoing efforts with regulatory agencies to improve permitting policies and practices, eliminate duplicative requirements, and consolidate and streamline the permitting process. The office has two positions – the ombudsman and one environmental analyst.

State Expenditures: General fund expenditures increase by \$124,662 in fiscal 2015, which assumes implementation concurrent with the bill's October 1, 2014 effective date. This estimate reflects the cost of hiring one ombudsman and one administrative assistant

to perform the functions of the office established under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2
Salaries and Fringe Benefits	\$115,912
Operating Expenses	<u>8,750</u>
Total FY 2015 State Expenditures	\$124,662

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. The Governor is required to include funds in the State budget for the office beginning in fiscal 2016.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Business and Economic Development, Governor's Office, Connecticut Department of Economic and Community Development, Department of Legislative Services

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